



NIPPON OIL EXPLORATION U.S.A. LIMITED

5847 San Felipe, Suite 2800, Houston, Texas 77057
Main (713) 260-7400 • Telecopy (713) 978-7800

RULES PROCESSING TEAM

MAY 06 2003

April 30, 2003

Department of the Interior
Minerals Management Service
Mail Stop 4024
381 Elden Street
Herndon, Virginia 20170-4817
Attention: Rules Processing Team

RE: 1010 - AC 91, Rights of Use and Easement

Gentlemen:

We thank you for the opportunity to comment on your proposed rule which would provide for rentals to be paid "for the use of the unleased area being provided to the Lessee or pipeline right-of-way holder" in the Gulf of Mexico (GOM). Our company, Nippon Oil Exploration U.S.A. Limited, is an owner of oil and gas leases, or interests therein, in many areas of the GOM, including what is commonly referred to in the industry as the Deepwater Area.

We acknowledge that the proposed rentals will not provide significant income to the United States, nor that they will create a significant burden on the successful leaseholder when considered in light of the exceptionally high cost of exploring, developing and producing wells, especially those that are located in the Deepwater.

What is ironic, however, is that on the one hand, the Minerals Management Service has encouraged such exploration and development of oil and gas by providing royalty suspension under certain circumstances, and now proposes a rule, which has the ultimate effect of reducing that benefit.

As a result, we protest the proposed rule as being counterproductive and in conflict with current rules, which encourage explorers and producers to greater activity.

Yours very truly,

L. Charles Scholz
Vice President

LCS/sd